



FY 2022 Earnings Release

March 23, 2023

The information contained in this presentation of results has been prepared by Arteche Lantegi Elkartea, S.A. (hereinafter the Company or Arteche Group) and includes financial information drawn from the annual accounts of the Company and its Group as of fiscal year 2022 audited by Ernst & Young S.L, as well as declarations concerning future forecasts.

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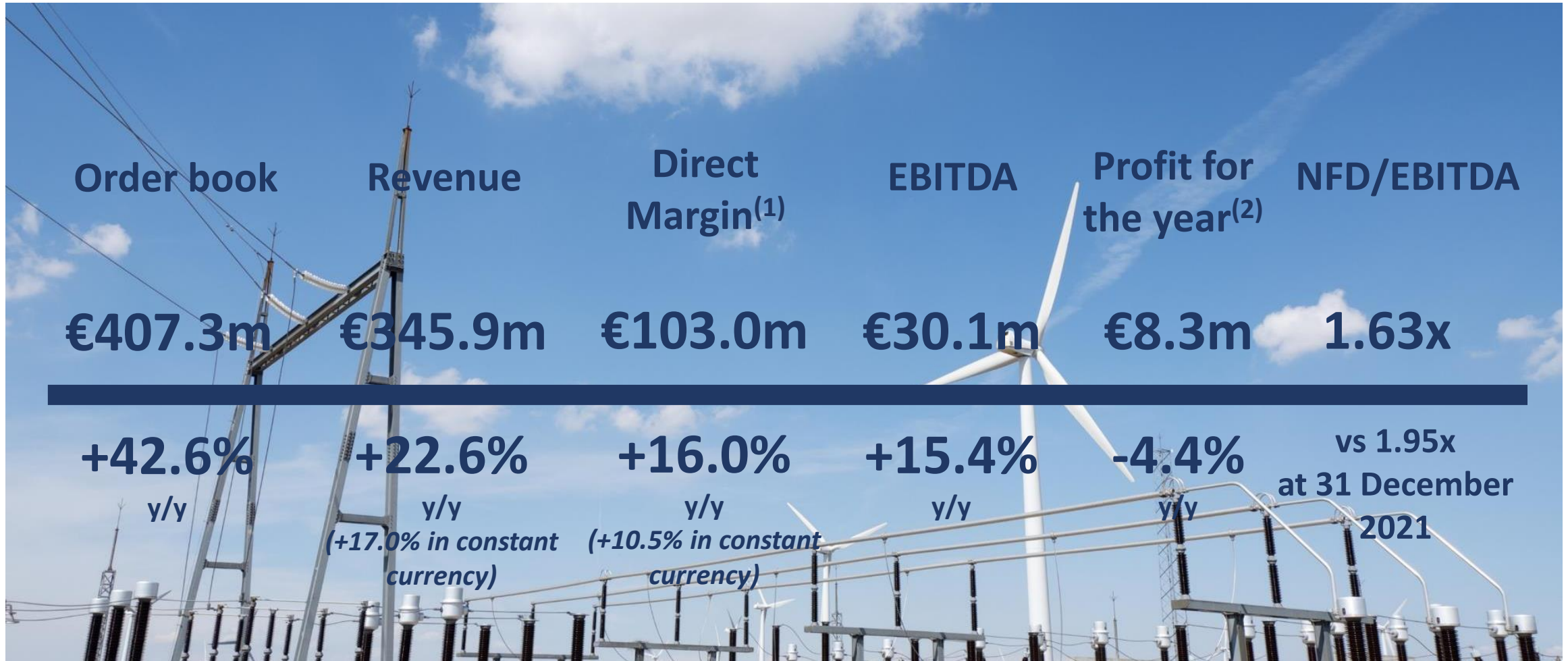
FY 2022 Key highlights



- ✓ **Orders grew** in the year by **+42.6%** to €407.3 million, well above market growth. All geographic regions and business segments grew by double digit.
- ✓ **Revenue** increased by **+22.7%** to €345.9M. **Q4** becomes the first quarter **above €100 million** of sales.
- ✓ **Direct margin improved** progressively throughout the year to reach **31.1% in Q4 2022** vs 30.6% in FY 2021.
- ✓ **EBITDA** reached €30.1 million, **growing by +15.4% y/y**, showing an **improvement trend in the second half** of the year.
- ✓ **Deleveraging continues** to **1.63x NFD/EBITDA** at 31 December 2022 **vs 1.95x** in 2022.
- ✓ **Profit for the year** decreased by -4.4% compared to the previous year, to **€8.3 million**.
- ✓ **M&A Plan: Integration** plans **successfully completed** in ESITAS (medium voltage transformers in Turkey and Indonesia), SDO (optical transformers in Australia) and JV with Hitachi (gas-insulated transformers in Spain). **Robust backlog** of projects for the coming years.



FY 2022 Financial highlights



(1) Direct margin = Income at selling price – procurement – direct labor – direct operating expenses.

(2) Profit for the year is the reference figure for the purpose of allowing a homogeneous comparison since it includes the result attributed to external partners (€0.6 million). In addition, the result was negatively impacted by €1.4 million due to an accounting adjustment as a result of the hyperinflation declared in Turkey.

FY2022 Guidance Met



**Guidance
FY2022**

**Reported
FY 2022**

Achievement

Revenue (*€ million*)

325 - 340

346



EBITDA (*€ million*)

30 - 35

30



EBITDA Margin
(*% over revenue*)

9%-10%

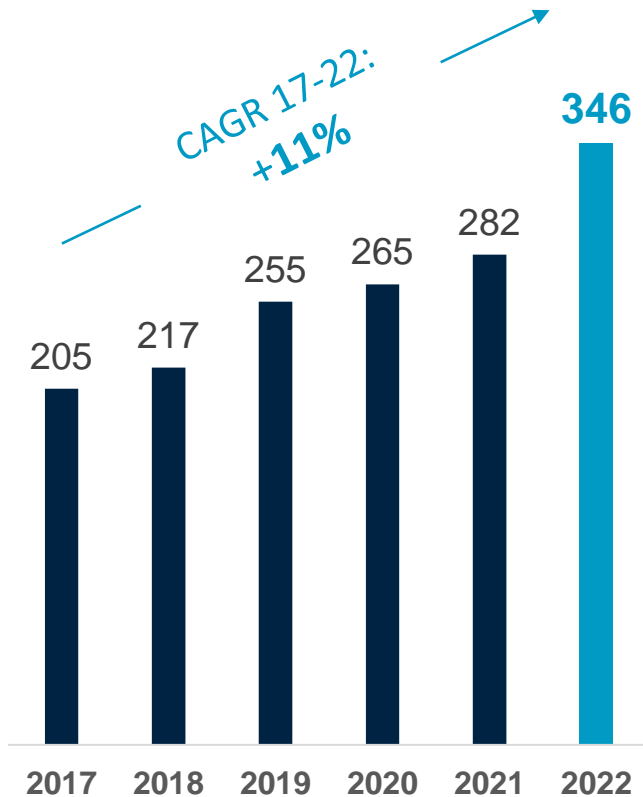
9%



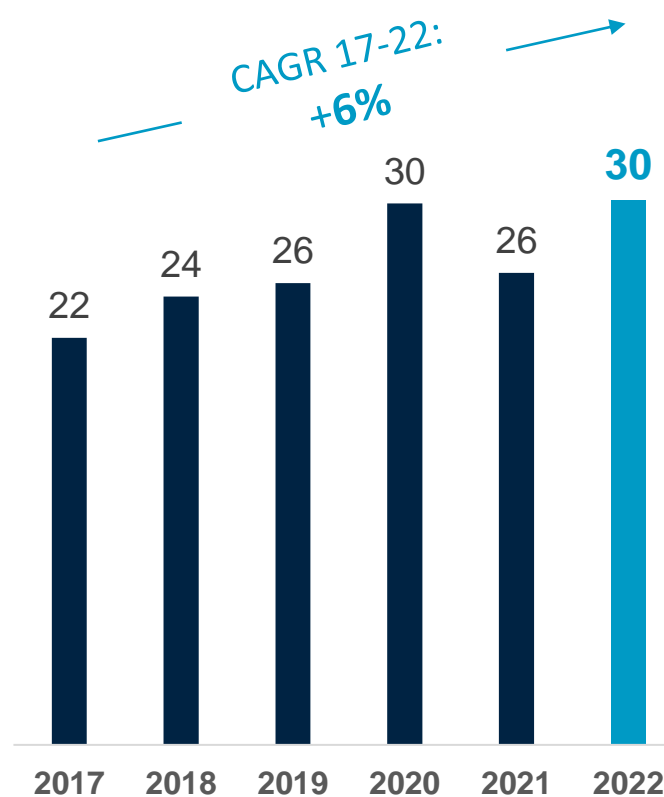
Historical figures: solid business model



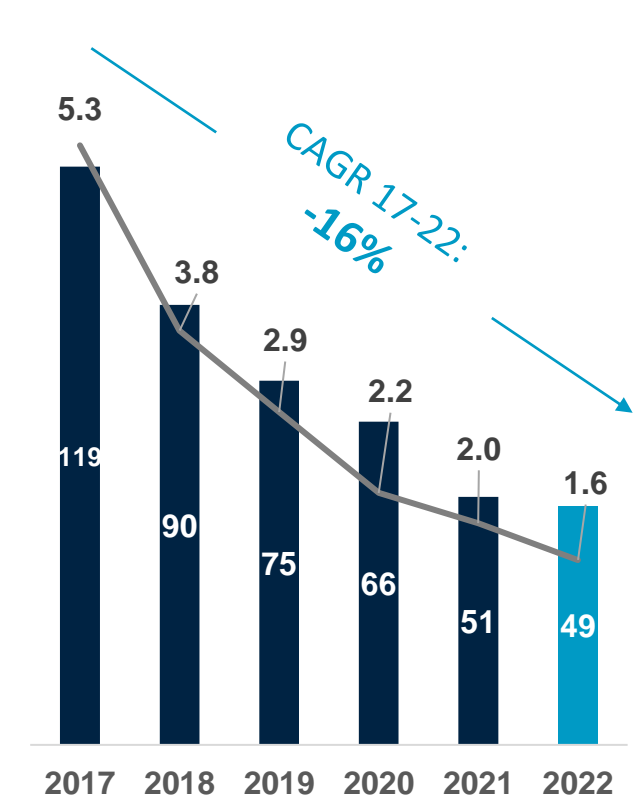
Revenue (€ million)



EBITDA (€ million)



Net debt
(€ million, times EBITDA)

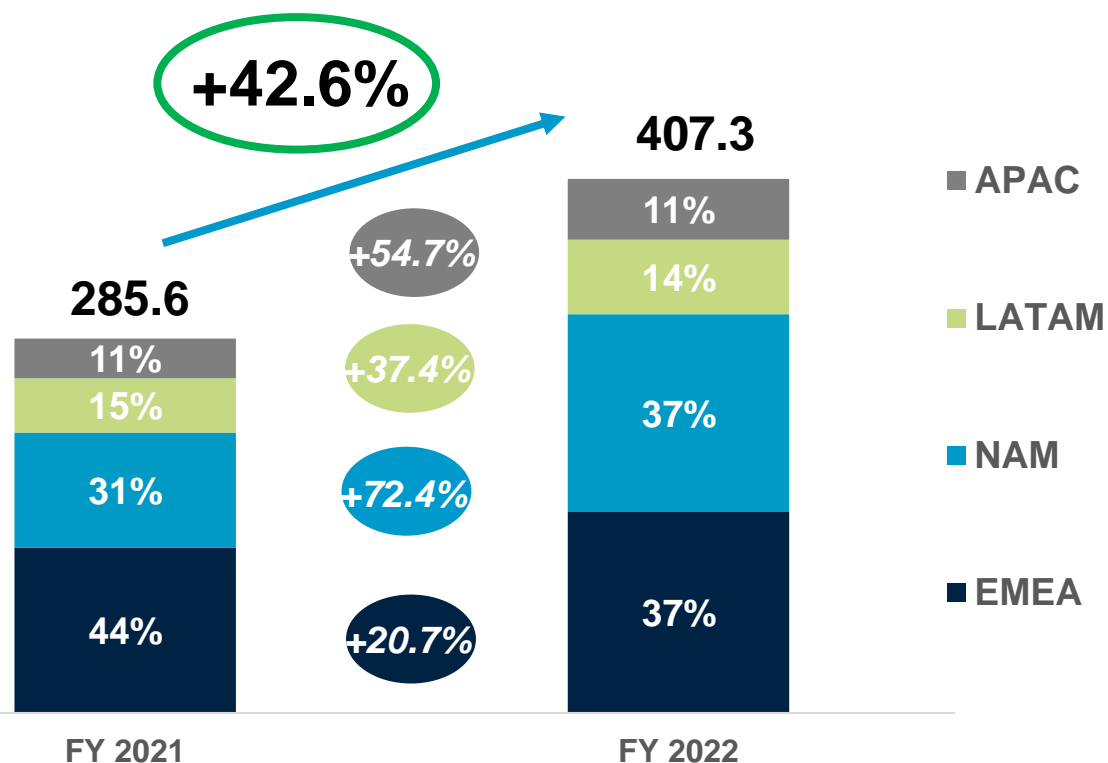


Revenue grew at double-digit rate in FY 2022



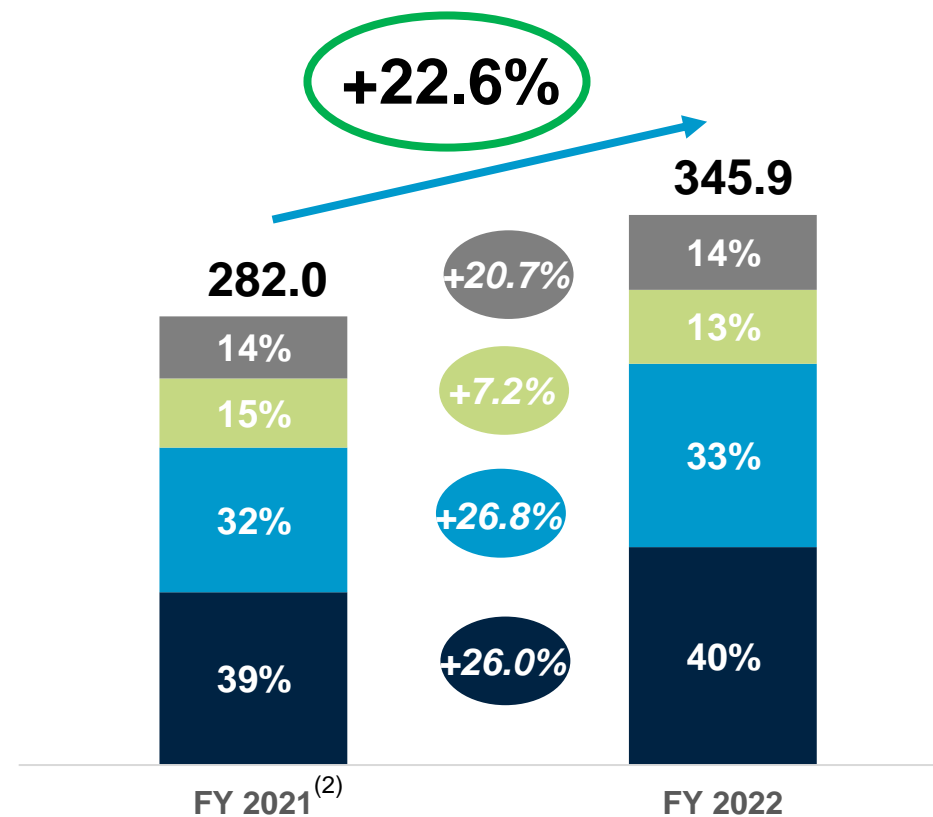
Robust growth in all geographical areas

Order book (€m,%)



Book - to - Bill: 1,18x
Backlog: 167,4 M€

Revenue by geographical region⁽¹⁾ (€m,%)



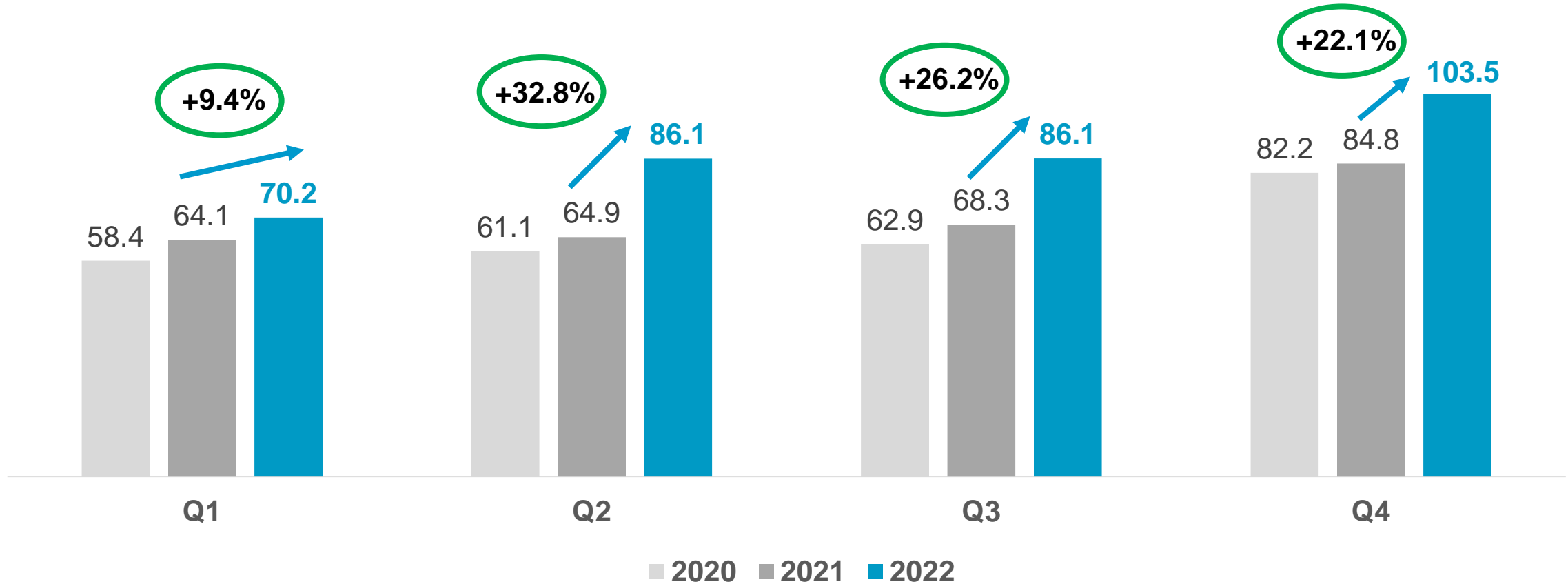
(1) Revenue by destination: EMEA (Europe, Middle East and Africa), NAM (Mexico, USA and Canada), APAC (Asia Pacific and Turkey), LATAM (South and Central America).

(2) In FY 2021 revenue data by geographic region, Turkey's turnover has been reclassified to APAC region.

Revenue growth in all quarters

Historical record reached in the fourth quarter

Quarterly revenue (€ million)



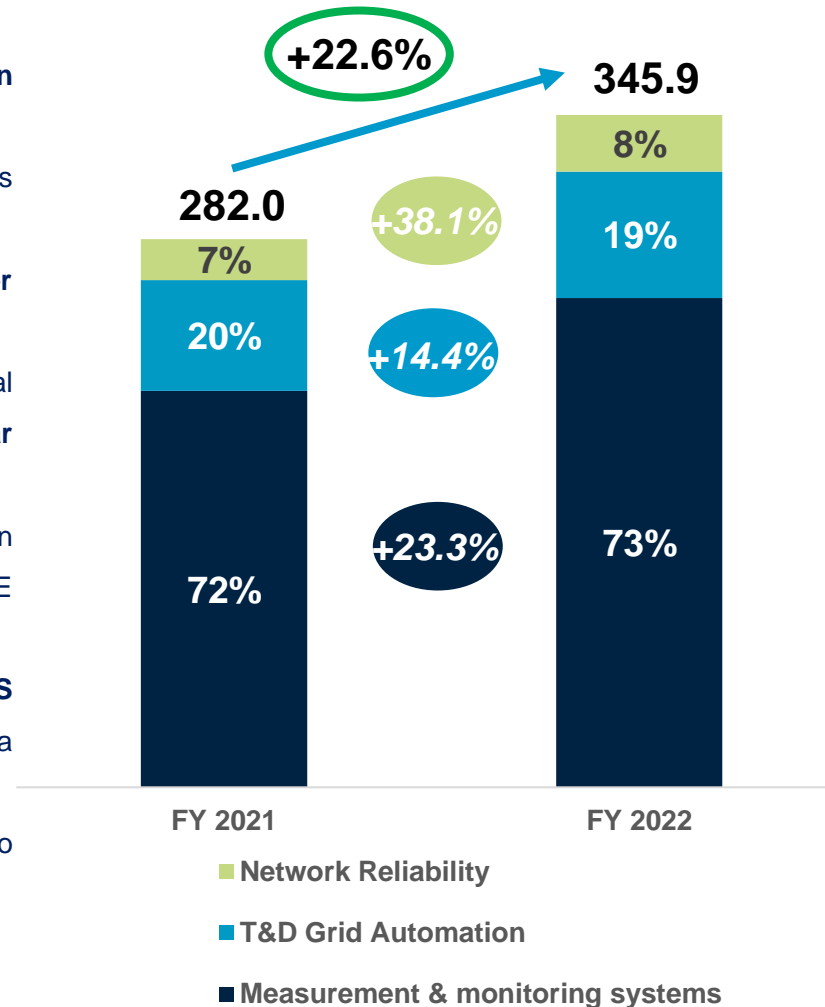
Positive contribution from all businesses



Measurement and monitoring systems
Maintaining the Top 3 in HV and advancing to the Top 10 in MV

- ✓ Growth **above market and strategic plan objectives.**
- ✓ Successful integration of ESITAS that improves our market share in **Asia.**
- ✓ Development of a **globally competitive supplier base** for key components in **Turkey.**
- ✓ **Technological leadership** in optical measurement thanks to **HVDC** and **nuclear fusion.**
- ✓ **Renewal of framework agreements** in transmission utilities (Redeia ES, RTE FR, CFE MX).
- ✓ Joint launch with **Hitachi** of the first 420kV **GIS** (Gas Insulated Switchgear) transformer with a **sustainable gas alternative.**
- ✓ Increase in production capacity in **Mexico** to cover the **US market.**
- ✓ **Doubling Turkey's productive capacity.**

Revenue by business division (€m,%)



T&D Grid automation
Development of new product platforms and markets

- ✓ End of tests for **new protection and control platform.**
- ✓ Kick-off R&D project for **new range of railway relays.**
- ✓ Web digitization of relay orders (**Arteche Online Store**).
- ✓ Obtaining **technical approvals** in **APAC** (Laos, Vietnam and Indonesia for Bay Control Units).
- ✓ **Flag Projects** for protection and control in Honduras, Chile, Italy and Mexico.



Network Reliability
Definition of a new renewable energy business strategy

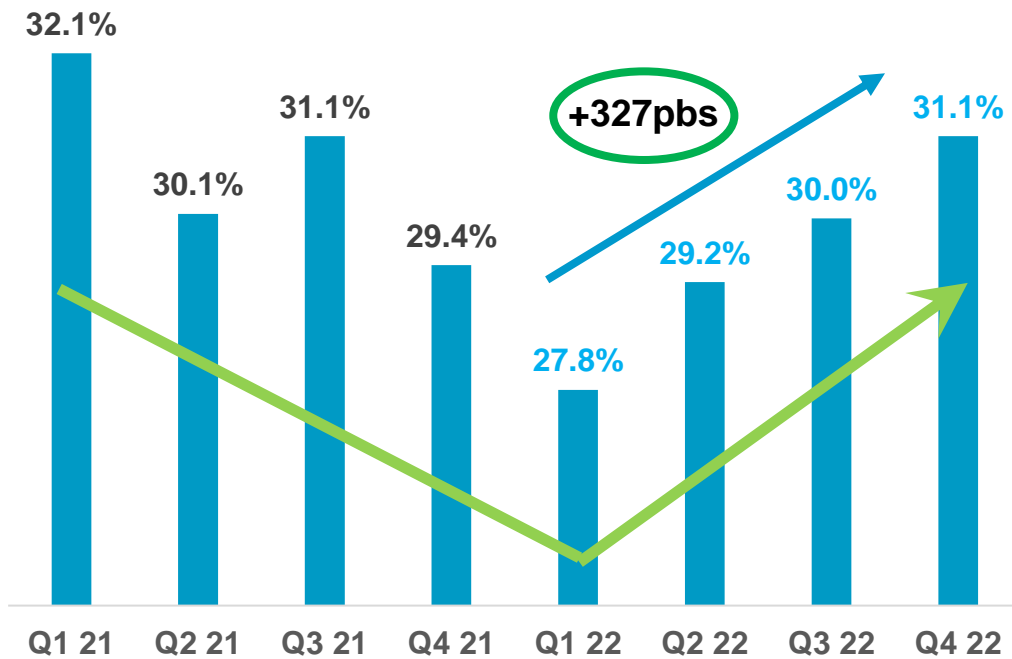
- ✓ **Recovery of post-COVID-19 reclosers markets.**
- ✓ **End of the 38kV recloser project and progress on the improved 15kV model.**
- ✓ **Double-digit growth in Power Quality** with recovery of the **US and Mexico market.**
- ✓ Progress in the **servitization** process with **new value propositions** (network studies in Power Quality).

Progressive recovery of the direct margin during FY2022

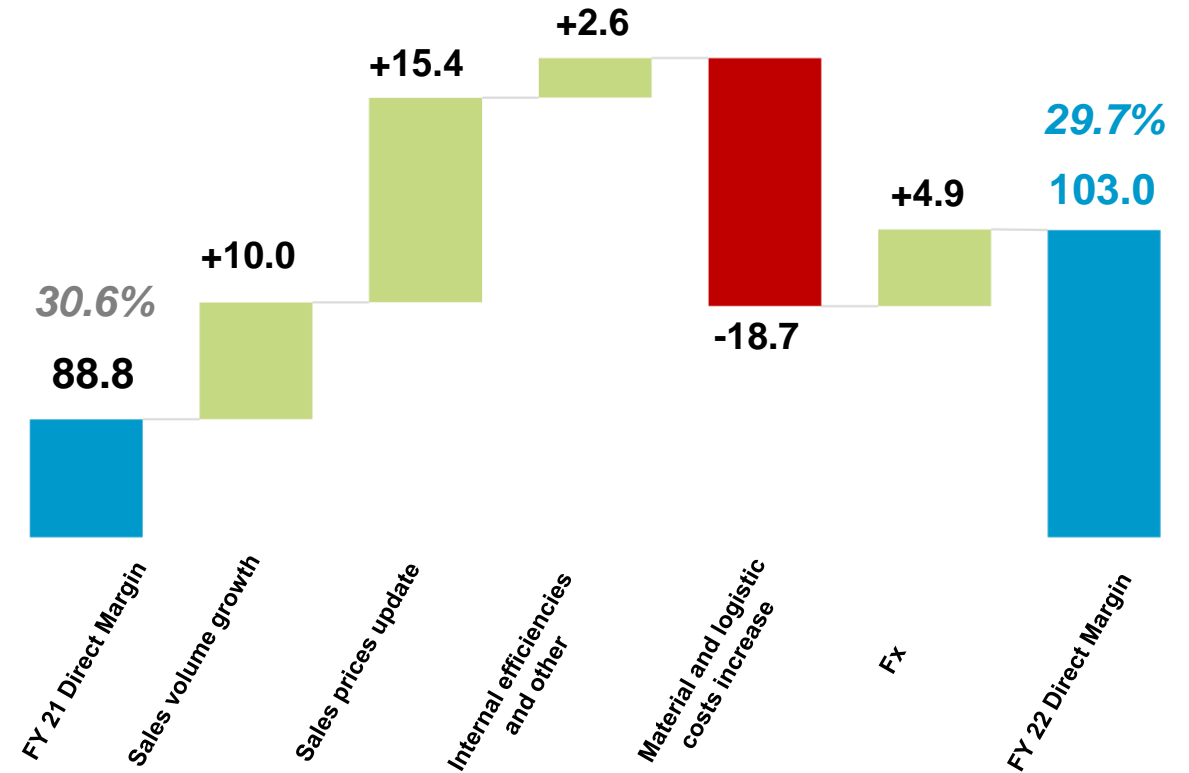


Revenue growth offsets adverse cost inflation environment

Direct margin⁽¹⁾ by quarter
(% of income at selling price⁽²⁾)



Direct margin evolution (€m, % of income at selling price)



(1) Direct margin = Income at selling price – procurement – direct labor – direct operating expenses.

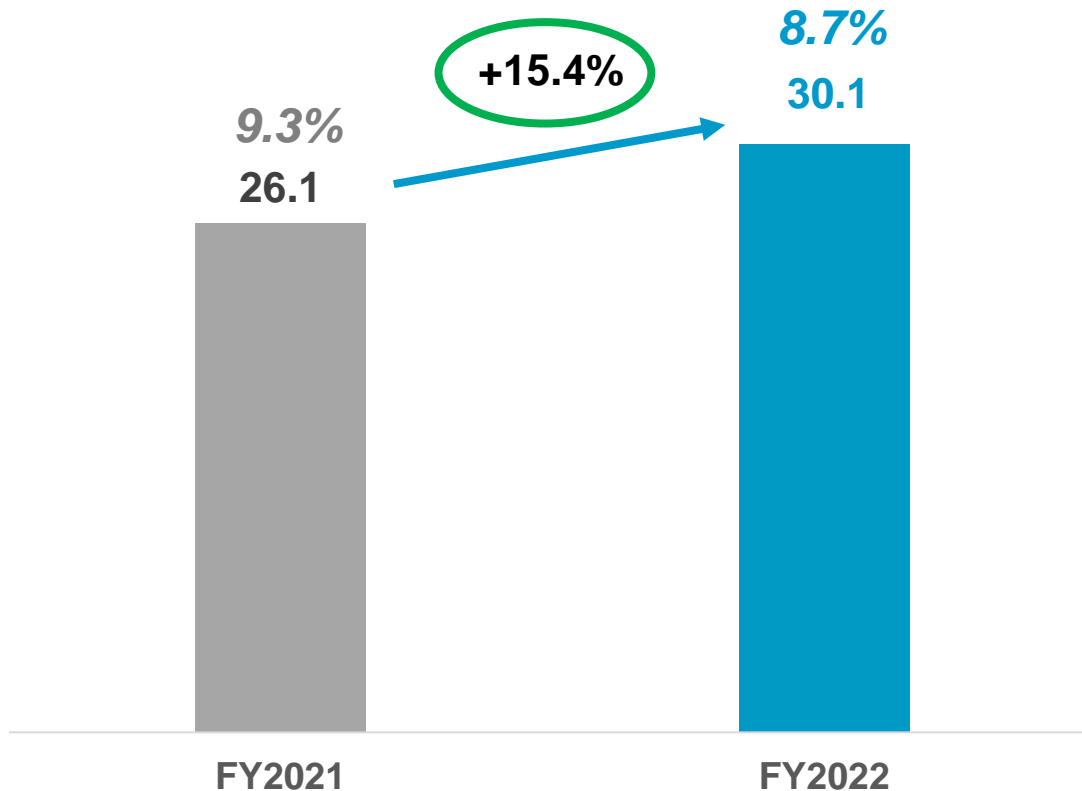
(2) Income at selling price = Revenue +/- change in inventories at selling price.

EBITDA FY 2022

Growth of 15.4% in the year



EBITDA evolution year on year
(€ million, % of revenue)



- EBITDA increased as a result of **higher sales volume, updated sales prices and plant productivity improvements**, in a global scenario of rising material and logistics costs and supply chain disruption.
- Despite the **remarkable inflation** in the cost of **energy** in the year (*impact of c. 60 basis points on EBITDA margin*), the company's **structural costs** remain **stable** at around 24% of sales.

Net profit FY 2022

Profit for the year reached €8.3 million



In € million	FY 2022	FY 2021	% y-o-y
EBIT (Operating profit)	14.3	12.5	+14.4%
Financial result	-3.5	1.3	<i>n.a.</i>
Income tax	-2.5	-5.1	-52.2%
Profit for the year⁽¹⁾	8.3	8.7	-4.4%
Minorities	-0.6	-0.2	+271.3%
Profit attributable to parent company	7.7	8.5	-10.0%

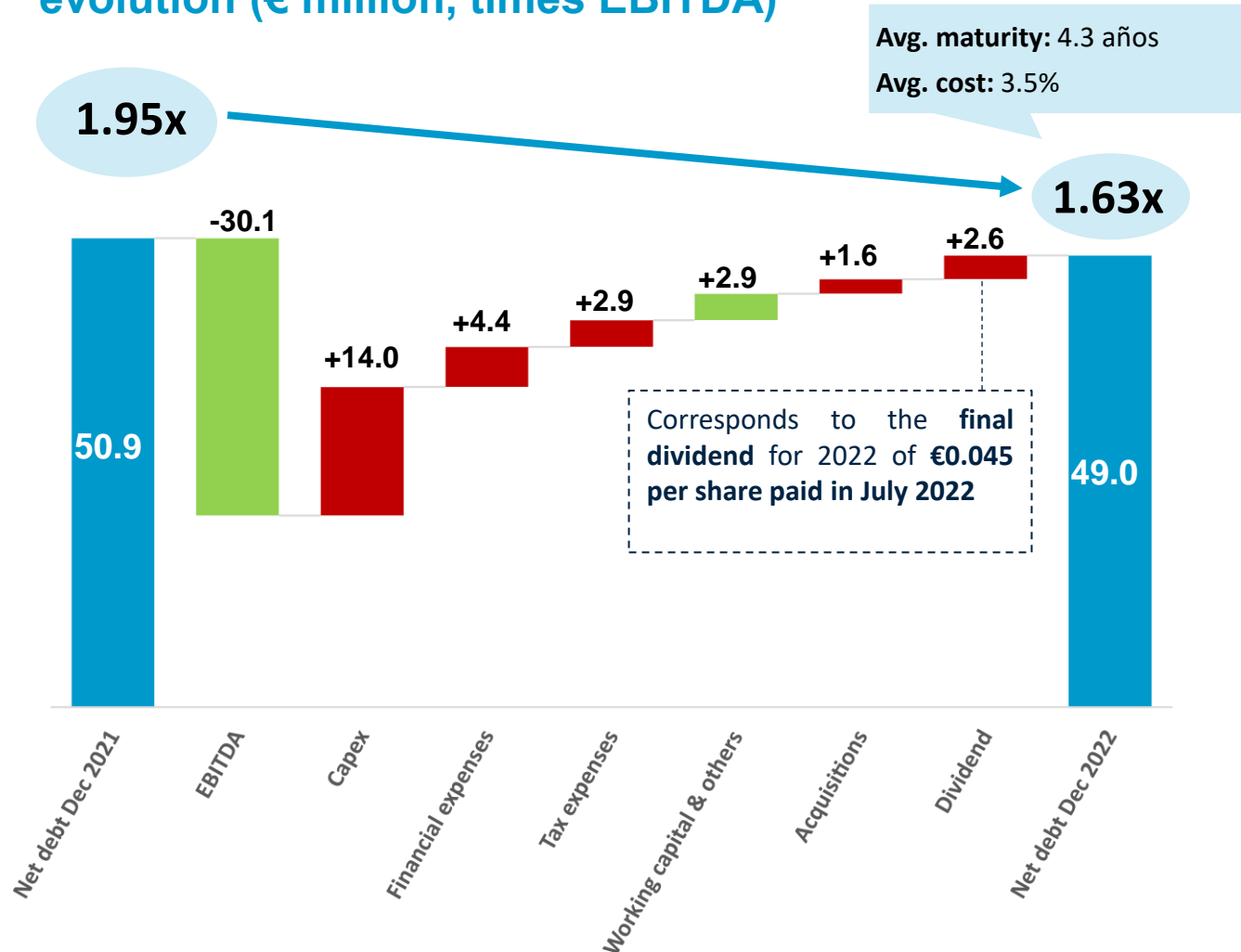
(1) Profit for the year is the reference figure for the purpose of allowing a homogeneous comparison since it includes the result attributed to external partners (€0.6 million). In addition, the result was negatively impacted by €1.4 million due to an accounting adjustment as a result of the hyperinflation declared in Turkey.

Shareholder remuneration: The Board of Directors **proposes the distribution of a dividend against FY 2022 results amounting to €2.3 million, equivalent to a pay-out of 30%.**

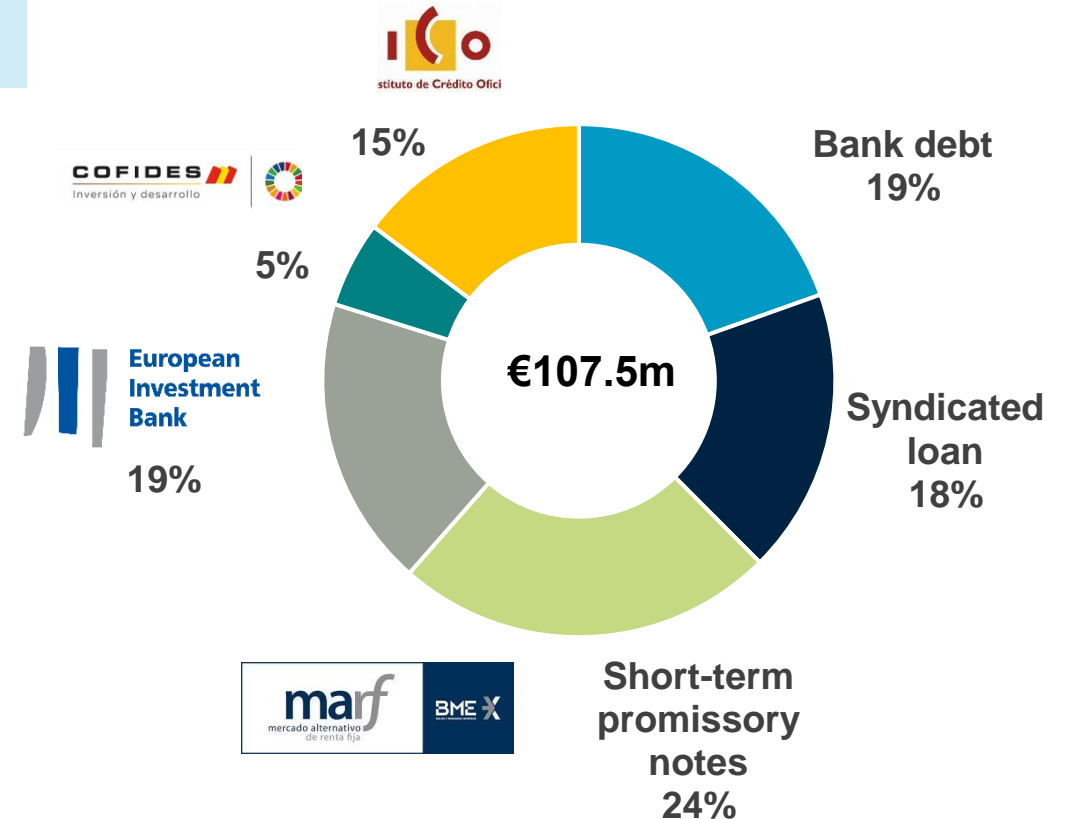
Net financial debt at December 31, 2022

Leverage ratio improvement in FY 2022

Net financial debt (NFD) / EBITDA evolution (€ million, times EBITDA)



FY 2022 Gross financial debt breakdown by source (%)

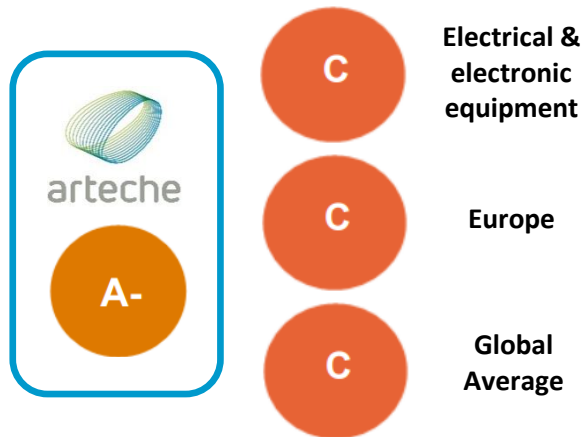


80% of total long-term loans are hedged against the risk of interest rate variation

Progressing in our ESG Commitment

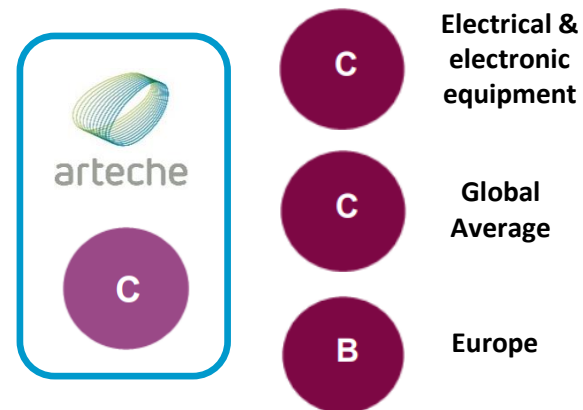


CDP SUPPLIER ENGAGEMENT RATING REPORT 2022



The **Supplier Engagement Rating (SER)** evaluates companies' performance in terms of governance, targets, scope 3 emissions and commitment to the value chain in CDP's Climate Change questionnaire.

CDP SCORE REPORT CLIMATE CHANGE 2022



The **CDP Score Report** allows companies to understand their score and indicate which categories require attention to reach higher scoring levels.

Arteche signs with BID Invest⁽¹⁾ the first reverse factoring sustainable line






amounting to USD 20m.

- ✓ **Positive impact** on production plants in **Mexico** (30% of the Group's total revenue).
- ✓ **Arteche** is positioned as the **first company** chosen by IDB Invest to sign a reverse factoring line with **sustainability criteria**.
- ✓ Under the line, **Arteche's suppliers in Mexico, Argentina and Brazil**, mostly micro, small and medium-sized enterprises, will be able to sell their invoices (accounts receivables), payable and confirmed by Arteche to IDB Invest to accelerate the collection of these.
- ✓ **Economic incentives** have been incorporated for those suppliers that provide Arteche with their products in **sustainable packaging**, either packaging that does not have single-use plastic or that is made of recycled cardboard.
- ✓ Line operated by eFactor's electronic platform.

(1) IDB Invest, a member of the Inter-American Development Bank Group, is a multilateral development bank committed to promoting the economic development of its member countries in Latin America and the Caribbean through the private sector. IDB Invest finances sustainable companies and projects to achieve financial results and maximize economic, social and environmental development in the region.

Progressing in our ESG Commitment

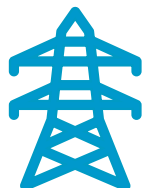


	Strategic Target	Indicator	Unit	Real 2022	Target 2030
ENVIRONMENTAL 	100% of our products designed with ecological and biodegradable fluid insulators	Product ranges with ecological-biodegradable fluid insulation solution / Total product ranges (%)	#	74%	100%
	Reduce our carbon footprint >50%	Total emissions (scope 1+2+3) / Total emissions (scope 1+2+3) base year (2021) (%)	Kg CO2	-1%	-50%
	100% renewable electricity consumption	Total renewable electricity consumption / Total electricity consumption (%)	KWH	14%	100%
	Reuse/Recycle 100% of waste generated	Total hazardous waste (H)+ and non-hazardous waste (NH) (reused + recycled) / Total waste H + NH generated (%)	Tn	64%	100%
SOCIAL 	Promote an inclusive organization, in which all people have equal opportunities for development	Women in the 'front line management' category / Total employees in the 'front line management' category (%)	#	25%	40%
	0 days lost due to workplace accident	Accident severity ratio	#	0.2	0
GOVERNANCE 	Internal Control Financial Information System (SCIIF)	Report of the external auditor referring to the SCIIF	n.a.	Diagnosis and planning	Audited by a third-party
	Recognition of the best practices of Corporate Governance	Assessment and certification	n.a.	n.a.	Certification achieved

Conclusions 2022 and Outlook 2023



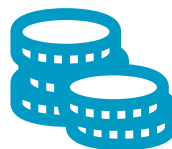
CONCLUSIONS FY 2022



Sound growth in orders (+42.6% y/y) and revenue (+22.6% y/y) in a context marked by strong demand and commercial discipline.



Strength in revenue together with a tight cost management support direct margin recovery (+327 basis points Q4/Q1 2022).



Focus on cash flow generation (special focus on inventory management) to reinforce our balance sheet in order to face future growth.

OUTLOOK FY 2023



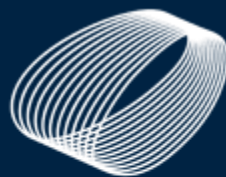
Our record **order backlog** provides business visibility and is a source of strength and resilience.



- ✓ **Direct margin** recovered at pre-crisis levels.
- ✓ We expect **EBITDA to continue to improve** as a result of sales growth, increased operating leverage and further internal efficiencies.



Ongoing commitment to ESG that's creating value for all stakeholders.



arteche
Moving together

Q&A

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Annex | Alternative Performance Measures (APM)



APM	Unit	Definition	FY 2022	FY 2021
Income at selling price	€m	Revenue +/- Change in stocks at selling price	€347.5m = 345.9 + 1.6	€290.5m = 282.0 + 8.5
Direct costs	€m	Supplies (without depreciations or extraordinary costs) + direct staff costs + other direct operating costs	€244.5m = 197.3 + 28.5 + 18.7	€201.7m = 161.7 + 23.7 + 16.3
Direct margin	€m	Income at sale price – direct costs	€103.0m = 347.5 – 244.5	€88.8m = 290.5 – 201.7
% Direct margin	%	Direct margin / Income at sale price	29.7% = 103.0 / 347.5	30.6% = 88.8 / 290.5
Gross operating profit (EBITDA)	€m	Operating income + amortisation and depreciation + impairment of trade operations + impairment of goods + impairment of finished products and products in process	€30.1m = 14.3 + 14.7 + 0.04 + 0.3 + 0.8	€26.1m = 12.5 + 11.6 + 0.7 + 0.1 + 1.2
% EBITDA	%	EBITDA / Revenues	8.7% = 30.1 / 345.9	9.3% = 26.1 / 282.0
Gross Financial Debt (GFD)	€m	Amounts owed to credit institutions + other financial liabilities + financial lease creditors + debentures and other marketable securities – financing without cost	€107.5m = 39.2 + 53.9 + 0.2 + 26.0 - 11.7	€111.3m = 53.5 + 43.1 + 1.0 + 27.5 - 13.8
Net Financial Debt (NFD)	€m	GFD – temporary financial investments – credits to companies (no group) – cash and other equivalent liquid assets	€49.0m = 107.5 – 2.3 - 56.2	€50.9m = 111.3 - 1.7 – 58.7
Net Financial Debt/ LTM EBITDA	times (x)	NFD / EBITDA	1.63x = 49.0 / 30.1	1.95x = 50.9 / 26.1
Earnings per share (basic and diluted)	€/share	Profit for the year attributable to equity holders of the Parent / (weighted average number of ordinary shares outstanding - weighted average number of own shares)	0,13 € = 7.7 / (57.1 – 0.14)	0,16 € = 8.5 / (53.7 – 0.07)

Annex | Key Financial Figures



Key Financial Figures			
€m	31.12.2022	31.12.2021	% change
Revenue	345.9	282.0	+22.6%
Direct Margin	103.0	88.8	+16.0%
<i>Direct margin (% of income at selling price⁽¹⁾)</i>	29.7%	30.6%	-92.0pbs
EBITDA	30.1	26.1	+15.4%
<i>EBITDA margin (% of revenue)</i>	8.7%	9.3%	-54.4pbs
EBIT	14.3	12.5	+14.4%
<i>EBIT margin (% of revenue)</i>	4.1%	4.4%	-29.7pbs
Profit for the year⁽²⁾	8.3	8.7	-4.4%
<i>Minorities</i>	(0.6)	(0.2)	+271.3%
Profit attributable to parent company	7.7	8.5	-10.0%
<i>Net profit margin (% of revenue)</i>	2.2%	3.0%	-80.7pbs
EPS (€/share)	0.13	0.16	-15.3%

(1) Income at selling price = Revenue +/- change in inventories at selling price.

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Annex | Consolidated Balance Sheet



Consolidated Balance Sheet		
€m	31.12.2022	31.12.2021
Non-current Assets	108.7	101.7
Current Assets	210.7	183.6
Inventories	72.2	61.8
Trade and other receivables	78.4	60.4
Short-term financial investments	3.3	2.0
Cash and cash equivalents	56.2	58.7
Others	0.6	0.7
TOTAL ASSETS	319.4	285.3
Total Shareholders' Equity	69.0	58.5
Non-current Liabilities	68.4	76.5
Long term debt	62.3	71.6
Other non-current liabilities	6.1	4.9
Current Liabilities	182.0	150.4
Short term debt	57.5	55.2
Trade and other payables	123.6	93.8
Other short-term debt	0.9	1.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	319.4	285.3